

The Center for Media and Democracy

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**Testimony of Wendell Potter
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**House Democratic Steering and Policy Committee
Forum on the Urgent Need for Health Care Reform
Longworth HOB 1100 Committee on Ways and Means Hearing Room
Tuesday, September 15, 2009**

Thank you Madam Speaker for the opportunity to address the House Steering and Policy Committee. Madam Speaker and Members of the Committee, my name is Wendell Potter, and I am humbled to be here today to testify about the need for meaningful and comprehensive reform and about the efforts of an industry I worked in for many years to shape reform in ways that will benefit it at the expense of taxpayers and policyholders.

In the weeks since my June 24 testimony before the U.S. Senate Committee on Commerce, Science and Transportation, I have expressed hope at every opportunity that this indeed might be the year Congress will enact legislation to reform our health care system in ways that will truly benefit Americans for generations to come.

But I have also expressed concern that if Congress goes along with the so-called “solutions” the insurance industry says it is bringing to the table and acquiesces to the demands it is making of lawmakers, and if it fails to create a public insurance option to compete with private insurers, the bill it sends to the president might as well be called the Insurance Industry Profit Protection and Enhancement Act.

H.R. 3200, America’s Affordable Health Choices Act of 2009, encompasses a comprehensive set of reforms that address the critical need for expanded coverage, lower health care costs, and greater choice and quality. Other legislative proposals, including the “Baucus Framework” being considered by the Senate Finance Committee’s “Bipartisan Six,” would benefit health insurance companies far more than average Americans.

The practices of the insurance industry over the past several years have contributed directly to the growing number of Americans who are uninsured and the even more rapidly growing number of people who are underinsured.

H.R. 3200 would go a long way toward making many of the standard practices of the industry illegal while providing much-needed assistance to low and moderate income Americans who cannot afford the overpriced premiums being charged by the cartel of large for-profit insurance companies that now dominate the industry.

H.R. 3200 would provide premium and cost-sharing assistance through the Health Insurance Exchange it would create. It would require the Secretary of Health and Human Services to establish a defined package of “essential health services” that all plans, public or private, would have to cover.

It also would prohibit insurance companies from denying coverage or basing premiums on pre-existing conditions, gender or occupation. It would eliminate deductibles or co-pays for preventive care as well as the lifetime limits currently common in health insurance policies. The bill also would set an annual cap on out-of-pocket expenses that is more reasonable than in other proposals.

As important if not more important than those market reforms, H.R. 3200 would also create a public insurance option to compete with private insurers. Contrary to the misinformation being disseminated by the health insurance industry and its allies, the public insurance option would not have a competitive advantage over private plans. It would have to meet the same benefit requirements and comply with the same insurance market reforms as private plans.

As I told Members of the Senate Committee on Commerce, Science and Transportation, insurance companies routinely dump policyholders who are less profitable or who get sick as part of their never-ending quest to meet Wall Street's relentless profit expectations.

While the reforms proposed in various bills before Congress would seemingly restrict insurance companies' ability to put investors' needs over those of consumers, Members must realize that provisions of some proposals, including the Baucus Framework, would actually drive millions more Americans, including many who currently have access to comprehensive coverage, into the ranks of the underinsured.

An estimated 25 million Americans are now underinsured for two principle reasons. First, the high-deductible plans many of them have been forced into by their employers require them to pay more out of their own pockets for medical care, whether they can afford it or not. Second, more and more Americans have fallen victim to deceptive marketing practices and bought what essentially is fake insurance.

The insurance industry is insistent on being able to retain what it calls "benefit design flexibility." Those three words seem innocuous and reasonable, but if legislation that reaches the president grants insurers the flexibility they claim they must have, and requires all of us to buy coverage from them, millions more of us will have little alternative but to buy policies that appear to be affordable but which will be prove to be anything but affordable if we become seriously ill or injured.

The big insurers have spent millions of dollars acquiring companies that specialize in what they call "limited-benefit" plans. Not only are the benefits extremely limited, the underwriting criteria established by the insurers essentially guarantee big profits.

H.R. 3200 would ban the worst of these policies. Other proposals, by providing financial incentives for employers to offer barebones plans with lousy benefits and high deductibles, would actually encourage them.

Unlike H.R. 3200, those proposals would not require employers to provide good benefits or even to meet minimum benefit standards. They also would permit employers to saddle their workers with the entire amount of the premiums in addition to the high out-of-pocket expenses, escalating the already rapid shift of the financial burden of health care from insurers and employers to working men and women.

The Baucus plan also would allow insurers to charge older people and families up to 7.5 times as much and younger people, impose big fines on families that don't buy their lousy insurance, and would

weaken state regulation of insurers.

As a consequence, these proposals would do little to increase affordable coverage for those currently insured, or stop the rise in medical bankruptcy. They would, however, ensure that a huge new stream of revenue—much of it from taxpayers who would finance the needed subsidies for people too poor to buy coverage on their own—would flow—“gush” might be a more appropriate word—to insurance companies. And much of that new revenue would ultimately go right into the pockets of the Wall Street investors who own them.

Over the past several weeks, I have repeatedly told audiences around the country that the public option should not just be an “option” to be bargained away at the behest of insurance companies who are pouring money into Congress to defeat substantial and essential reforms. A public option must be created to provide true choice to consumers or reform will fail to truly fix the root of the severe problems that have been caused in large part by the greedy demands of Wall Street.

By creating a strong public option and restricting the insurance industry’s ability to enrich executives and investors at the expense of taxpayers and consumers, H.R. 3200 will truly benefit average Americans.

The Baucus plan, on the other hand, would create a government-subsidized monopoly for the purchase of bare-bones, high-deductible policies that would truly benefit Big Insurance. In other words, insurers would win; your constituents would lose.

It’s hard to imagine how insurance companies could write legislation that would benefit them more. Over the coming weeks, I implore each Member of Congress to put the interests of ordinary, extraordinary Americans—the people who hired you with their votes—above those of private health insurers and others who view reform as a way to make more money.

Thank you for considering my views.